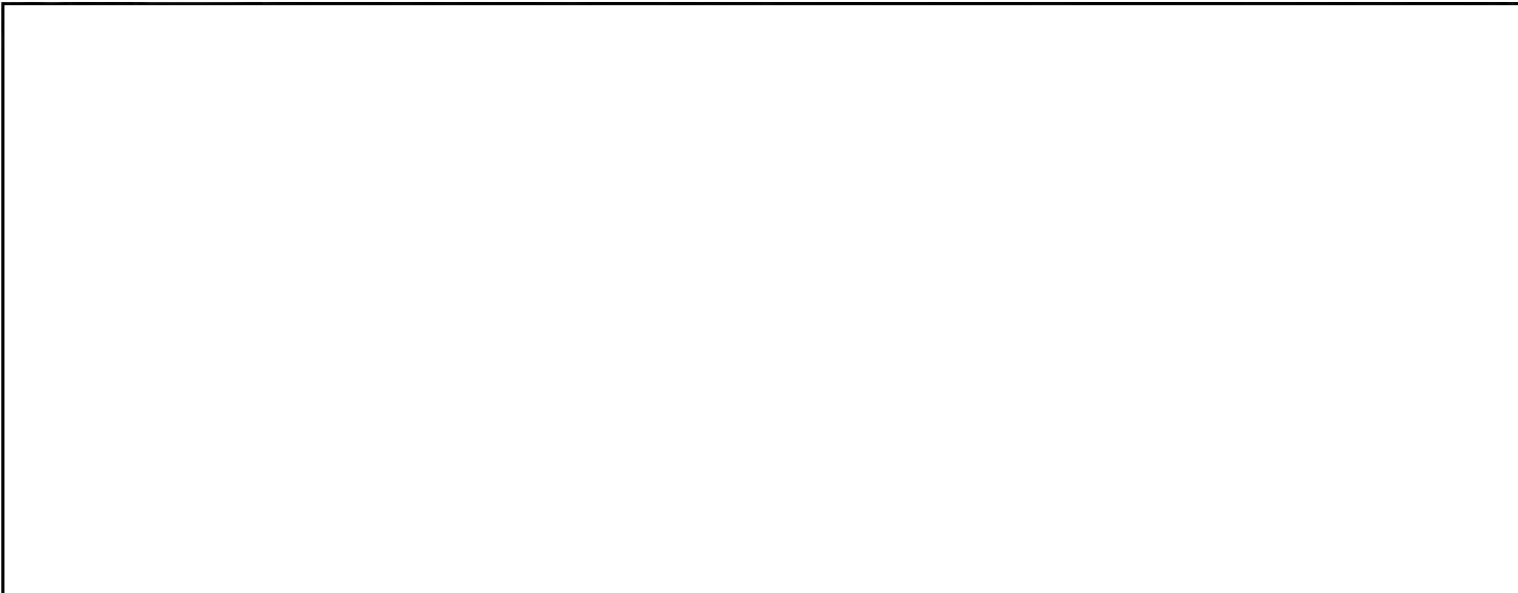


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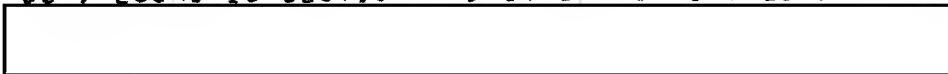
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ONE ARTICLE FROM OER'S ECONOMIC INTELLIGENCE WEEKLY REVIEW  
ENDING 15 DECEMBER 1978. REQUEST ARTICLE BE PASSED TO AMBASSADOR,  
DCM, ECONOMIC SECTION AND OTHER WORKING LEVEL STATE OFFICERS.

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WORLD RICE: ADDING TO THE GRAIN SURPLUS (U)

1. INCREASED ACREAGE AND GENERALLY FAVORABLE  
WEATHER WORLDWIDE WILL LIKELY BRING WORLD RICE PRODUCTION  
TO 380 MILLION TONS FOR THE 1978/79 CROP YEAR, AN INCREASE  
OF ABOUT 3 PERCENT OVER THE 1977/78 CROP YEAR. (C).

(RICE PRODUCTION FIGURES ARE ON UNMILLED BASIS. ALL  
OTHER DATA ARE ON A MILLED BASIS. THE CROP YEAR FOR RICE IS  
THE PERIOD 1 AUGUST - 31 JULY. (U)

2. THE ABUNDANT HARVEST EXPECTED IN MAJOR RICE  
CONSUMING COUNTRIES SHOULD REDUCE IMPORT DEMAND AND KEEP  
PRICES WEAK. IN TURN, RICE STOCKS WILL LIKELY RISE TO A  
RECORD LEVEL, ADDING FURTHER TO ALREADY AMPLE SUPPLIES  
OF GRAIN WORLDWIDE AND CAUSING PROBLEMS OF STORAGE AND  
SURPLUS DISPOSAL IN SEVERAL COUNTRIES. (C)

RECORD PRODUCTION AGAIN.

3. MOST OF THE INCREASE IN WORLD PRODUCTION IS  
OCCURRING IN THE ASIAN RICE BOWL REGION WHERE FAVORABLE  
MONSOONS AND BELOW-AVERAGE PEST INFESTATION HAVE BOOSTED

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[REDACTED]

YIELDS. RECORD RICE HARVESTS ARE FORECAST FOR INDIA, THE PHILIPPINES, BURMA, SOUTH KOREA, SRI LANKA, AND INDONESIA. PRODUCTION IN THE PEOPLE'S REPUBLIC OF CHINA IS ALSO EXPECTED TO REACH A RECORD LEVEL DESPITE SOME DROUGHT PROBLEMS WITH LATE RICE. UNFAVORABLE WEATHER HAS REDUCED PRODUCTION IN VIETNAM, LAOS, AND CAMBODIA. TOTAL PRODUCTION IN THE ASIAN RICE BOWL REGION, WHICH ACCOUNTS FOR MORE THAN 85 PERCENT OF THE WORLD HARVEST, IS EXPECTED TO BE UP 2.5 PERCENT. (C)

4. AN INCREASE OF 36 PERCENT IN ACREAGE AND FAVORABLE GROWING CONDITIONS HAVE LED TO A RECORD US RICE HARVEST OF 6.5 MILLION TONS, UP 44 PERCENT FROM 1977/78. HIGHER SUPPORT PRICES AND A RETURN TO MORE FAVORABLE WEATHER ARE EXPECTED TO BOOST PRODUCTION IN COLOMBIA AND BRAZIL. SMALL GAINS ARE ALSO EXPECTED IN AUSTRALIA AND THE SOVIET UNION, AND ITALIAN PRODUCTION HAS RECOVERED TO A MORE NORMAL LEVEL AS THE RESULT OF FAVORABLE WEATHER. (U)

CONSUMPTION UP, TRADE DOWN.

5. AMPLE SUPPLIES OF RICE AT MODERATE PRICES COMBINED WITH CONTINUED POPULATION GROWTH IN ASIA WILL PUSH CONSUMPTION TO A NEW RECORD OF ABOUT 240 MILLION TONS. A GROWING DEMAND FOR WHEAT IN SEVERAL ASIAN COUNTRIES, ESPECIALLY JAPAN AND SRI LANKA, HAS DIVERTED SOME GROWTH POTENTIAL IN RICE CONSUMPTION. NONETHELESS, STRONG DEMAND FROM MIDDLE EASTERN OPEC COUNTRIES AND INCREASING DEMAND FROM URBAN AREAS IN WEST AFRICAN COUNTRIES WILL KEEP GROWTH IN WORLD CONSUMPTION AHEAD OF LAST YEAR'S RATE. (U)

6. WORLD TRADE IN RICE IN CALENDAR YEAR 1979 IS EXPECTED TO DECLINE 600,000 TONS FROM THE 9.1-MILLION-TON LEVEL ESTIMATED FOR 1978. IMPORT DEMAND IS EXPECTED TO DROP IN ASIA AS A RESULT OF INCREASED PRODUCTION IN FOUR MAJOR IMPORTING COUNTRIES. INDONESIA, THE WORLD'S LARGEST IMPORTER, IS EXPECTED TO IMPORT ONLY 1.5 MILLION TONS, 21 PERCENT LESS THAN IN 1978. A LARGE RICE CARRYOVER AND THE RECORD HARVEST COULD RESULT IN EVEN LOWER INDONESIAN

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IMPORTS THAN CURRENTLY ESTIMATED. OTHER COUNTRIES EXPECTED TO TRIM IMPORTS AS A RESULT OF GOOD HARVESTS ARE SRI LANKA (BY 125,000 TONS) AND MALAYSIA (BY 300,000 TONS). IMPORT DEMAND BY BANGLADESH WILL PROBABLY REMAIN LOW AS A RESULT OF A RECORD HARVEST AND THE RECEIPT OF WHEAT FROM AID DONORS. INDIA AND THE PHILIPPINES, FORMERLY NET IMPORTERS, ARE AGAIN NOT EXPECTED TO PURCHASE RICE; IN CALANDER YEAR 1979; EACH MAY EVEN EXPORT 200,000 TONS. (U).

7. IMPORT DEMAND FOR RICE ELSEWHERE IN THE WORLD IS EXPECTED TO REGISTER A SMALL INCREASE. AN ADDITIONAL 250,000 TONS OF IMPORTS MAY BE REQUIRED TO MEET CONSUMPTION INCREASES IN AFRICA AND THE MIDDLE EAST. THE MAJOR UNCERTAINTY CLOUDING THIS OUTLOOK IS THE IRANIAN SITUATION WHERE IMPORT DEMAND WAS EXPECTED TO ACCOUNT FOR ONE-FOURTH OF THE INCREASE. A CONTINUATION OF THE PRESENT POPULAR UNREST AND FURTHER PORT CONGESTION COULD SHARPLY REDUCE IRANIAN IMPORT CAPABILITIES AND CUT THE DEMAND FOR US RICE. (U)

8. PRODUCTION SHORTFALLS CAUSED BY HEAVY RAINS AND FLOODING HAVE REDUCED THE AVAILABILITY OF RICE FOR CONSUMPTION IN LAOS, CAMBODIA, AND VIETNAM. LAOS AND VIETNAM TOGETHER WILL PROBABLY HAVE TO IMPORT A MINIMUM OF 500,000 TONS OF RICE TO MEET DOMESTIC SHORTFALLS. TOTAL IMPORTS WILL BE LOWER THAN REQUIREMENTS DUE TO HARD CURRENCY CONSTRAINTS AND THE SUBSTITUTION OF CHEAPER WHEAT FOR RICE. THE MAJORITY OF IMPORTED RICE WILL COME AS FOOD AID OR CONCESSIONAL SALES. CAMBODIA WILL BE FORCED TO LIMIT ITS SMALL RICE EXPORTS AND DOMESTIC CONSUMPTION. (U)

9. EXPORT SUPPLIES OF RICE ARE MORE THAN ADEQUATE TO MEET IMPORT DEMAND IN CONTRAST TO THE SITUATION A YEAR EARLIER. THAILAND'S AGRICULTURAL SECTOR HAS RECOVERED FROM A DROUGHT AND SHOULD FURNISH 300,000-400,000 TONS MORE THAN THE 1.5 MILLION TONS EXPORTED IN 1978. BURMA SHOULD ALSO HAVE AN ADDITIONAL 200,000 TONS AVAILABLE FOR EXPORT WHILE CHINESE EXPORTABLE SUPPLIES WILL LIKELY REMAIN THE SAME DUE TO PROBLEMS WITH THE LATE RICE HARVEST. US SUPPLIES WILL BE UP ALMOST 2 MILLION TONS, AND AVAILABILITIES FROM ITALY AND BRAZIL WILL ALSO BE LARGER.

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STOCKS: RICE, ANYONE?

10. THE RECORD RICE HARVEST AND AMPLE WORLD SUPPLIES OF OTHER GRAINS WILL PUSH RICE INVENTORIES TO A RECORD LEVEL OF ABOUT 25 MILLION TONS\* (DOES NOT INCLUDE STOCKS IN CHINA.) AT THE END OF THE CURRENT CROP YEAR, THE HIGH LEVEL OF WORLD STOCKS AND REDUCED TRADE PROSPECTS WILL KEEP PRICES UNDER DOWNWARD PRESSURE AT LEAST UNTIL NEXT YEAR'S HARVEST CONDITIONS ARE KNOWN. PRICES FOR QUALITY US RICE HAVE DROPPED TO \$340 PER TON COMPARED WITH MORE THAN \$400 PER TON FOR THE FIRST EIGHT MONTHS OF 1978. (U)

11. BURDENSOME RICE STOCKS HAVE PRESENTED SERIOUS STORAGE AND DISPOSAL PROBLEMS FOR SEVERAL COUNTRIES. INDIA, AFTER FOUR SUCCESSIVE YEARS OF GOOD GRAIN HARVESTS, HAS LITTLE IN THE WAY OF UNENCUMBERED QUALITY STORAGE FACILITIES AND MAY LOSE CONSIDERABLE QUANTITIES OF RICE TO PESTS AND SPOILAGE. STORAGE SPACE IN SRI LANKA IS ALSO SHORT AFTER TWO SUCCESSIVE RECORD HARVESTS AND LARGE IMPORTS IN 1977/78. IN AN EFFORT TO ALLEVIATE ITS STORAGE PROBLEM, SRI LANKA HAS ATTEMPTED TO EXPORT RICE FOR THE FIRST TIME IN OVER 200 YEARS. THE RICE HAS BEEN OF SUCH POOR QUALITY THAT SIZEABLE EXPORT SALES ARE NOT LIKELY. (U).

12. JAPAN'S HUGE STOCKS OF RICE HAVE CREATED A DISPOSAL PROBLEM. SUBSIDIZATION OF PRODUCTION AND DECLINING DOMESTIC CONSUMPTION HAVE STUFFED JAPANESE STORAGE BINS WITH 6 MILLION TONS OF RICE, THE DESIRED CARRYOVER LEVEL. FAVORABLE WEATHER BOOSTED YIELDS THIS YEAR AFTER JAPANESE ADMINISTRATORS WERE SUCCESSFUL IN REDUCING RICE ACREAGE. THE JAPANESE MINISTRY OF AGRICULTURE, FORESTRY, AND FISHERIES MUST NOW INITIATE A PROGRAM TO DISPOSE OF 4 MILLION TONS OF SURPLUS RICE OVER THE NEXT FIVE YEARS. ONE-HALF OF THE SURPLUS WILL PROBABLY BE ALLOCATED TO DOMESTIC FEED USE AND 40 PERCENT WILL BE EXPORTED AS FOOD AID. THE PROGRAM WILL LIKELY RESULT IN REDUCED DEMAND FOR US FEEDGRAINS, AND AID

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DONATIONS WILL FURTHER REDUCE COMMERCIAL MARKETS FOR  
RICE EXPORTERS. (U)

13. US RICE STOCKS WILL REACH A NEW RECORD AT THE  
END OF THE 1978/79 CROP YEAR. WITH US RICE EXPORTS  
CURRENTLY PROJECTED AT 2.1 MILLION TONS BY THE UNITED  
STATES DEPARTMENT OF AGRICULTURE, STOCKS BY NEXT JULY  
WILL HAVE DOUBLED TO A LEVEL OF 1.8 MILLION TONS. THIS  
LEVEL IS 500,000 TONS GREATER THAN THE PREVIOUS RECORD  
CARRYOVER OF JULY 1977. (U) (CONFIDENTIAL) RVW 15 DEC 98  
DRV MULTIPLE BY 015319 WNINTEL.>

ORIG & AUTH: ASA/D/OER/NFAC

REL: CH, NFAC/CS

CL BY 015319.

END OF MESSAGE

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